

Investors turn to mobile home parks to achieve higher returns

By Megan Kamerick | NMBW Staff

Real estate markets on the East and West coasts are overheated, drawing many investors to places like New Mexico to snap up property. But this, in turn, is pushing down the rates of return. So what's an investor to do?

One California buyer found the answer in mobile homes. Pat Frerkes, associate broker with NM Apartment Advisors Inc./Cantera Consultants and Advisors Inc., recently sold the Sage West Mobile Home Park at Sage and 98th to a buyer who already has several local multifamily properties in his portfolio.

The 24-acre, 150-unit park sold for a little over \$4 million says Frerkes, who declined to reveal the identity of the buyer. It was an attractive acquisition, she says, because the return on the property is 15 percent cash-on-cash, Frerkes says. Most apartments wouldn't offer more than a 10 percent cash-on-cash return, says Todd Clarke, a partner in NM Apartment Advisors.

Cash-on-cash return is a technique for calculating the return on an investment for which there is no secondary market. It equals the annual dollar income divided by the total dollar investment, expressed as a percentage.

The area also is attractive, Frerkes says, because of potential plans for a Wal-Mart (NYSE: WMT) grocery store kitty corner from the mobile home park.

The return is higher than on traditional apartment buildings, says Frerkes, because there is less overhead. Residents own their units and pay monthly rents on the land where the homes are located, so the park owner isn't responsible for repair cost on the actual units. Frerkes says the potential for higher returns might lure more investors to seek out mobile home parks.